



The Advisor

for our Retired members

A semi-annual publication of the Massachusetts Teachers' Retirement Board as a service to its members

Spring 2005

MTRB PRIORITIES FOR 2005-2006 LEGISLATIVE SESSION

MTRB seeking COLA base increase

Increasing the COLA base: Results of study expected by early spring

Today, the base on which a cost-of-living adjustment (COLA) is calculated is \$12,000 and the maximum benefit increase is capped at \$360 per year. The Legislature, as part of the FY2005 budget, authorized the Public Employee Retirement Administration Commission (PERAC), in consultation with the MTRB and others, to evaluate the costs associated with increasing the COLA base from \$12,000 to \$22,000 in \$1,000 increments. We have been working closely with state officials and retiree advocates on increasing the retirement base on which COLAs are granted. Within the next few months we expect PERAC to complete the study and make a recommendation to the Legislature. The MTRB has long supported such an increase in order to provide purchasing power protection for our retired members. We recognize members' benefits have not kept pace with inflation over the years and an increase in the COLA base will help stave off further erosion in members' benefits.

While the issue is clear, the solution has been elusive. The expense associated with increasing the COLA base is formidable. A previous study estimated it would cost the Commonwealth over \$25 million a year for each \$1,000 increase in the COLA base. The results of the new study are likely to illustrate similar costs. This year, however, retirement officials, elected officials and retiree advocates have pledged to work together in developing funding alternatives to pay for the increase in the COLA base that are fiscally responsible and acceptable to elected officials.

In addition to advocating for an increase in the COLA base, the MTRB has filed a

comprehensive retirement reform initiative entitled *An Act Relative to the Recruitment, Retention and Portability of Teachers in the Commonwealth*. The legislation would:

- **Reduce** the employee contribution rate for current and future active members to 8.5 percent of salary. This would not apply to retirees.
- **Increase** the amount of interest that is credited to a member's annuity account, to one-half of the actuarial assumed rate of investment return of the state and teachers' retirement system (approximate interest would be 4.125 percent).
- **Reduce** the vesting period for retirement eligibility from 10 years to 5 years.
- **Amend** the definition of regular compensation in order to clarify the exclusion of temporary or nonpermanent salary enhancements or augmentations from pensionable earnings.

Governor recommends 3 percent COLA

As part of his FY2006 state budget proposal, Governor Romney recommended a 3 percent COLA for retired state employees and teachers. The 3 percent COLA recommended by the Governor exceeds the 2.7 percent increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W index is used annually to provide a base from which the Governor and the Legislature may authorize a COLA. The Governor's recommendation all but ensures retired educators who retired prior to July 1, 2004 a 3 percent increase on a retirement base of \$12,000. The Legislature in the past few years has consistently approved a 3 percent COLA and we expect that to happen again this year. The recommended effective date of the COLA increase is July 1, 2005. ■

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Dr. David P. Driscoll
Commissioner of Education
and Chairman,
Massachusetts Teachers'
Retirement Board

FROM THE CHAIRMAN

The MTRB sets a record— 3,500 educators retired in 2004

This past year, a record number of educators—over 3,500—retired from the Massachusetts Teachers' Retirement System. These retirements are nearly double the number of retirements in the 2000 school year. We expect to break more records as over 24,000 educators get set to retire within the next five years. The largest class of educators—5,000 members—will retire at the end of the 2006 school year. In an effort to help prepare those members who are retiring at the end of this school year we held ten **Ready for Retirement** seminars at locations throughout the state. These seminars were well received by the membership.

For this legislative session, the Board's top legislative priorities are increasing the retirement base on which a cost-of-living-adjustment (COLA) is granted, and reducing the contribution rate for new employees (*page 1*). We look forward to discussing these issues with policymakers and stakeholders

over the next several months.

As you know, we are also conducting our verification of benefit recipients (*page 3*). While the law was recently changed to allow us to perform this process once every two years, we decided that, in order to protect you and the System, we would continue to conduct this verification annually.

We continue to appreciate your patience as we move through this unprecedented wave of retirements. We remain committed to quality service for all of our members and, as always, your feedback on this newsletter and our delivery of services is greatly appreciated.

Best wishes,

BOARD MEMBERS

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A. Joseph DeNucci
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Assistant Executive Director

James H. Salvie
General Counsel

Stay up to date on retirement issues— Have retirement updates delivered right to your desktop when you **register to receive MTRB M@il!**

More than 19,000 active and retired members and retirees have now signed up. Just give us your e-mail address and you'll receive advance notice of upcoming seminars, important announcements and retirement news in quarterly updates. It's easy!

- 1) Go to **mass.gov/mtrb**.
- 2) Click on **Register to Receive MTRB M@il!**
- 3) Complete the simple online form with your MTRB member status (retired), name and your e-mail address.
- 4) Watch your e-mail for quarterly updates!

New e-mail address? No problem—just send your old and new addresses to us at **geninfo@trb.state.ma.us** and we'll update our records so that you don't miss any messages from us.

Be sure to complete and return your 2005 Benefit Verification Form

If you received a benefit payment from us in 2004, you should have received your Benefit Verification Form by now. If you haven't received your form yet, please watch your mailbox, as we'll be mailing Second Notices by the end of April.

Our job is to pay the appropriate retirement or survivor allowance to the individual who earned the particular benefit. Accordingly, the retirement law requires that, at least once every two years, the MTRB verify the eligibility of all retirees and beneficiaries who are receiving monthly benefits. In other words, we must verify that "you," the person who earned the benefit, is "you," the person who is receiving the benefit.

While we know that this might seem like a tedious and burdensome task for some of you, it is a very helpful and serious process for us. Most importantly, it ensures the protection of the retirement system by verifying that we are paying benefits to the people who earned them.

During the Benefit Verification process in 2004, we mailed forms to 40,827 members. While we had to send out second and even third notices—and even temporarily stop benefit payments to some members—we eventually heard from all but eleven retirees, whose benefits have been suspended since July 2004.

We were also able to identify approximately 30 members who were entitled to increased benefits. These members had retired under Option C, but had not notified us that their beneficiary had predeceased them. (Under Option C, if your survivor predeceases you, please notify the MTRB because you are entitled to have your payment "pop up" to the higher amount that you would have received under Option A.) As a result of the benefit verification process, we were able to identify these members and adjust their monthly benefit.

Your 2005 Benefit Verification Form was mailed to you in March, with a due date of March 25, 2005, which was later extended to April 8. Approximately six weeks after your completed form is processed, you will receive an acknowledgment postcard. If you have not yet completed this required form, please do so now. Our Second Notice, to

those who did not respond to the first one, will be mailed by the end of April. **Failure to comply with this process after the third notice will result in the suspension of your monthly retirement allowance.** If you have questions or concerns, we are here to help. Call our office if you need assistance or require a duplicate form. Additional information on the benefit verification process can be found on our web site at mass.gov/mtrb by following the links from our home page to the notice regarding the Benefit Verification mailing. ■

Moving? Spending a few months away from home? Tell us where you'll be!

Whether it is a temporary or permanent change, it is vitally important that you keep us informed of any change in your mailing address. Your retirement allowance checks, direct deposit statements and tax documents will not be forwarded.

What you need to do if you move or you will be away from your permanent address for more than a month:

- 1) At least 30 days before the effective date of the change, notify us of your new or temporary address by sending us a completed *Change of Address* form.
- 2) Obtain a *Change of Address* form by downloading it via a link on our web page on this topic at mass.gov/mtrb/6bencrp/62chgadd.htm. Or, call our Boston or Springfield office and we will send you a form.

Note: Changes received after the 15th of the month will **not** be reflected until the following month. While we cannot accept address changes over the phone or e-mail, we will accept changes via fax. You will, however, still need to send us the original form.



Reminder—
Be sure to sign and return your 2005 Benefit Verification Form as soon as possible if you have not already done so.
And thanks to all of you who returned your Benefit Verification form so promptly. We realize that the turnaround time was short, and we appreciate your cooperation!



Our Massachusetts Tea

An update on who we are, retirement t

A profile of our membership as of January 1, 2004

Some statistics of interest—

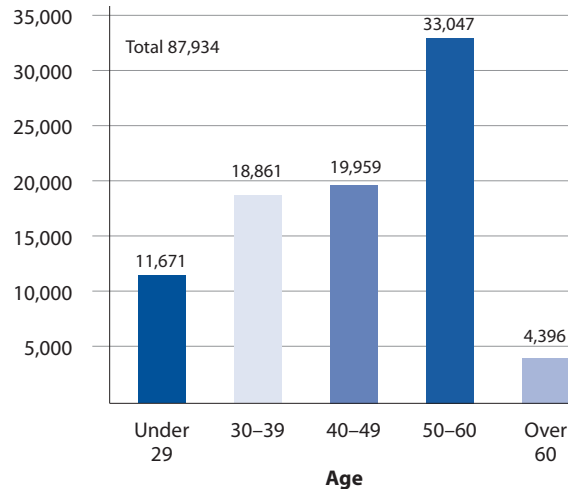
ACTIVE MEMBERS

- Average **salary** \$51,810
- Average **age** 45 years
- Average **service** . 14.3 years
- Total member compensation .. \$4.5 billion
- Employee contributions.. \$433 million

RETIRED MEMBERS

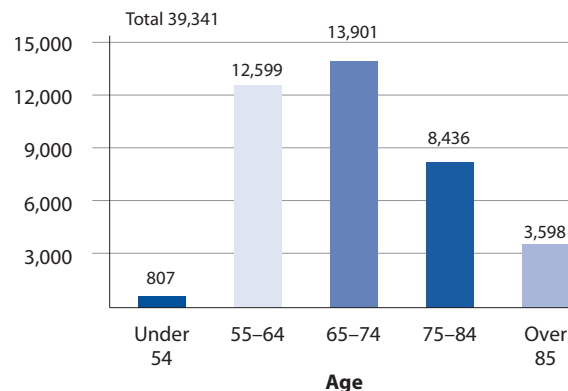
- Average **annual benefit** \$27,079
- Average **age** 70.4 years
- Total benefits paid .. \$1.06 billion

Source: 2004 Actuarial Valuation, Massachusetts Teachers' Retirement System



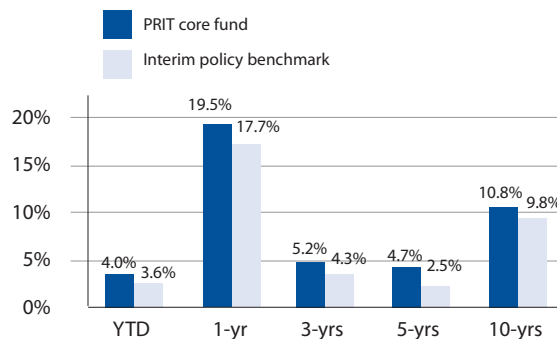
Our active members, by age

The baby boomers are here—and retiring in record numbers.



Our retired members, by age

This population has never been greater, with the number of older retirees continuing to grow.



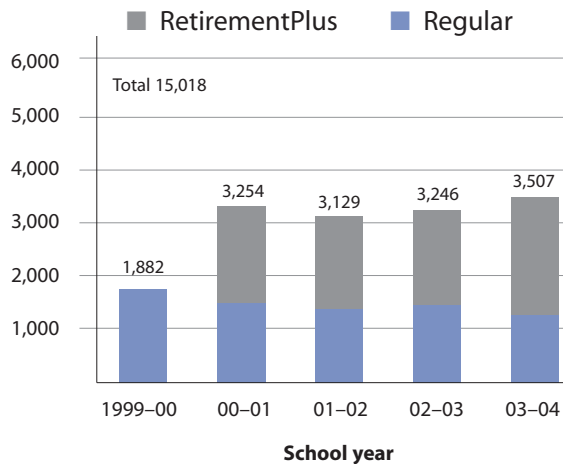
Core performance comparison

The Legislature has set 8.25 percent as the pension fund's long-term rate of return target. The system has averaged 10.8 percent over the past 10 years, and **10.84 percent** since its inception in January 1985.

Teachers' Retirement System:

Trends and our current funding status

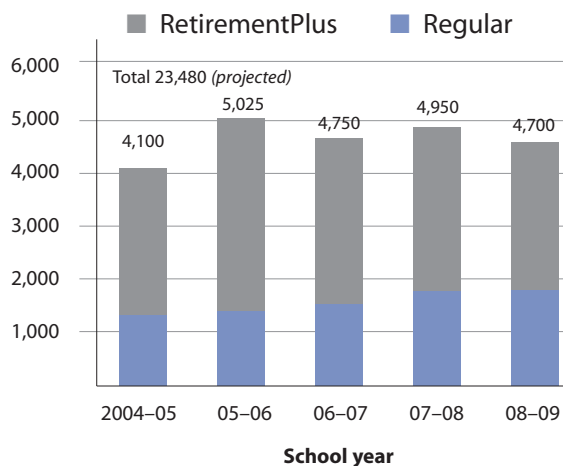
Recent and projected retirement statistics, and our funding status



RetirementPlus and regular retirements—

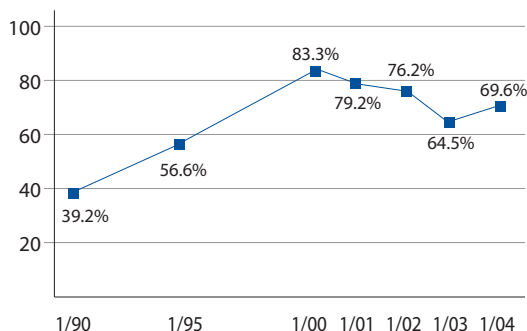
The last five years...

In the last five years, more than 15,000 members retired under the regular and RetirementPlus plans.



...and the next five years

In the next five years, we project that approximately 23,500 members will retire—an increase of 57 percent in just five years.



The MTRS' funded ratio

Over the last 13 years, the system's funding ratio has increased by 75 percent.

The asset allocation of the \$32.64 billion Pension Reserves Investment Trust (PRIT) Fund (State and Teachers' Retirement Systems assets) as of June 30, 2004:

- Domestic equities 39%
- International equities 16.3%
- Emerging markets 5.5%
- Fixed income 18%
- High yield debt 7.0%
- Real estate 5.6%
- Timber 2.9%
- Alternative investments 5.7%

To learn more about how the System's assets are invested, visit www.mapension.com.



If you have any questions on working after retirement, please contact us via e-mail, at geninfo@trb.state.ma.us, or phone, at 617-878-2890.

*The MTRB Advisor is written and produced by the Massachusetts Teachers' Retirement System. We welcome letters from our readers and encourage you to send your comments to: Advisor
Massachusetts Teachers' Retirement Board
69 Canal Street, 3rd Floor
Boston, MA 02114-2006
Or fax your letter to us at 617-727-6797.*

RETURNING TO MASSACHUSETTS PUBLIC EMPLOYMENT? READ THIS—

Working after retirement: What retirees need to know

There are no restrictions on working in the private sector or for the federal government, but there are time and earnings limitations if you return to Massachusetts public service

MTRS retirees considering a return to public sector employment in Massachusetts need to understand the statutory limits on working after retirement, and the new law that allows for reinstatement in the retirement system.

First, there are no restrictions on working in the private sector, or for the federal government, or for a state other than Massachusetts. However, an MTRS retiree who wishes to return to work in the Massachusetts public sector is subject to the following limitations:

- The IRS requires that retirees have a 60-day separation between their date of resignation and the day they return to service. The 60-day separation is waived for those members who retire at 80 percent or at age 65 or older.
- Pursuant to M.G.L. c. 32 § 91, retirees may work no more than 960 hours in each calendar year and their annual earnings, when added to their pension, may not exceed the salary that is currently being paid for the position from which they retired.

Critical shortage waivers

In 2000, the Legislature created an exception to the above limitations in the case where a school district applies for and receives a "critical shortage waiver" from the Department of Education (mass.gov/doe). A school district that receives the waiver is authorized to hire a retired member of the MTRS irrespective of the usual earnings limitations. It is important to note that members who retire under the RetirementPlus benefit formula must wait two years from their effective date of retirement before they qualify for a critical shortage waiver.

Retired members who return to work on a part-time basis pursuant to the above limits, or on a full-time basis under a critical shortage waiver, make no contributions to the pension system and accrue no additional retirement service.

■ I don't have a waiver and wish to work beyond the limits, what can I do?

If a retiree has not been approved for a critical shortage waiver and wishes to work beyond the statutory limits, he or she may request a temporary cessation of pension payments. A retired teacher working under this scenario is not subject to the time and earnings limitations and is not required to make contributions to the pension system. Stopping a member's pension payments can affect the administration of the health insurance benefit, so it is a good idea to discuss the impact with your local insurance coordinator before making this decision.

Also, a retiree cannot waive his or her pension during one year and then reinstate it the next year for 960 hours. According to the Attorney General, such "on-again, off-again" arrangements "turn the statutory retirement scheme on its head by providing retirement benefits to employed persons rather than a limited opportunity for compensated employment to retired persons."

Reinstatement

A recent change in retirement law allows retired members, who agree to certain terms and conditions, to return to active membership in the MTRS and, in effect, to "unretire." Under the new provision, the retiree must pay back to the retirement system the total pension benefits received while retired plus interest at the actuarial assumed rate of 8.25 percent. Moreover, the retiree must be employed in a full-time position subject to membership in the MTRS, for at least five full years from his reinstatement date in order to accrue additional retirement benefits. The detailed list of conditions for reinstatement can be accessed at the Public Employee Retirement Administration Commission web site, at mass.gov/perac/04memos/3404att.pdf.

To learn more, please visit our web site at mass.gov/mtrb/6benrcp/67wkgaft.htm. ■

Defined benefit plans are under fire

But Massachusetts retirees don't need to worry—
your retirement benefit is secure and cannot be decreased

Several states are looking into switching their defined benefit plans following the recent proposal in California to put all new public employees into a defined contribution plan. In South Carolina and Minnesota, it is likely that legislation will be introduced to form new mandatory defined contribution plans for public employees. Virginia, Alaska and New Mexico are conducting research into changing the system to a defined contribution plan.

Do Massachusetts retirees need to worry?
Absolutely not!

Your retirement benefit, as established under the Massachusetts Retirement Law, chapter 32, is a contractual guaranteed right, preserved throughout your retired lifetime and cannot be decreased. The courts have ruled that when an employee becomes a member of a retirement system, he or she establishes a contract with the retirement system, which has a statutory obligation to provide the benefits then in force.

Retirees, be assured that your retirement benefit is secure. ■

*Your retirement
benefit is
preserved
throughout
your retired
lifetime, and
cannot be
decreased.*

IF YOU'RE ALSO ELIGIBLE TO RECEIVE SOCIAL SECURITY...

The Massachusetts Congressional delegation supports the repeal of the Government Pension Offset and the Windfall Elimination Provision

We are pleased to report that the entire Massachusetts Congressional delegation has co-sponsored House Resolution 147 of the 109th Congress, which would amend the Social Security Act by

repealing the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP). This year to date, 220 members of Congress have co-sponsored H.R. 147.

Although a majority of members in the Congress support the repeal of the GPO and WEP, the prospect for outright repeal continues to remain elusive. Last year in the 108th Congress, there were various unsuccessful attempts to repeal or lessen the

impact of GPO and WEP, notwithstanding the fact that a majority of Congress had supported a resolution identical to H.R. 147. The Congressional leadership in the House,

concerned with the price tag of repealing WEP and GPO—\$61 billion over ten years—refused to allow the bill to be voted on.

We are often asked, "What are the chances of Congress changing the law this year?"

We believe pretty slim, unless these provisions are part of a larger Social Security solvency initiative.

The President and the Congress continue to discuss various options in an effort to transform and resolve the long-term financial solvency issues affecting the Social Security program. We will continue to track this issue in the Congress and will update our web site when new information becomes available. ■

*The repeal of
the WEP and
GPO will cost
\$61 billion
over the next
ten years.*

THE MASSACHUSETTS CONGRESSIONAL DELEGATION

1ST DISTRICT
John W. Olver

2ND DISTRICT
Richard E. Neal

3RD DISTRICT
James P. McGovern

4TH DISTRICT
Barney Frank

5TH DISTRICT
Martin T. Meehan

6TH DISTRICT
John F. Tierney

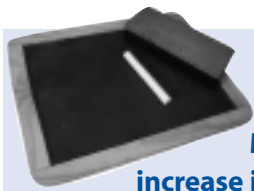
7TH DISTRICT
Edward J. Markey

8TH DISTRICT
Michael E. Capuano

9TH DISTRICT
Stephen F. Lynch

10TH DISTRICT
William D. Delahunt





What's new!

MTRB proposes increase in the COLA base 1

Governor also submits proposal for 3% COLA,
to become effective July 1, 2005

Members are retiring in record numbers 2

And the trend will continue through 2009

Be sure to complete and submit your 2005 Benefit Verification form 3

Your response is required in order to continue
to receive your retirement benefits

Working after retirement— What retirees need to know 6

If you return to Massachusetts public service,
be aware of the restrictions on your re-employment

And more!



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Springfield, MA
01103-2066
413-784-1711
FAX 413-784-1707

mass.gov/mtrb



FROM OUR PHONE LOG: RETIREE Q&A

We're glad you asked!

Q How can I change my federal tax withholding?

You may change the amount we withhold for federal tax at any time. You need to submit your request to us **in writing** either on IRS Form W-4P (available in downloadable format from the IRS web site at www.irs.gov) or in a letter indicating the desired amount to be withheld.

Q I have a question or would like to change my health insurance coverage. Whom should I contact?

Look at the *Voluntary Deductions* portion of your pension check. If your deduction is listed under:

- GIC and/or GICD, contact the Group Insurance Commission at 617-727-2310, ext. 806, or mass.gov/gic.
- MED, MED1, DENT, LIFE and OPTL, contact your school district.

Q I receive my retirement allowance by direct deposit to my bank account. When do I receive payment statements?

You will not receive a statement every month. When your direct deposit starts, you will receive a mailed statement that details your monthly benefit and deductions. After this initial statement, you will receive a statement in the mail only:

- when there is a change in the amount of your deposit from the prior month; or,
- when we need to provide retirees with new information and we print a special notice on the top portion of the direct deposit statement; or,
- at the end of December, when we provide you with a year-end summary of your benefits.